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# A CONCERTED MOVEMENT OF THE RAILWAYS



BY  
LOGAN G. McPHERSON

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## A CONCERTED MOVEMENT OF THE RAILWAYS

BY LOGAN G. McPHERSON

ALTHOUGH agreements among the railways have not met with favor in this country, very nearly all of the principal railway companies entered into a movement somewhat over two years ago that is not likely to meet with popular condemnation. This concerted action will be the better understood through a recountal of the development which led to it.

In the light of popular attitude toward them, the history of the railroads of the United States is of a series of fairly well-defined periods. When the application of steam as motive power on roads of rail was first undertaken there was the incredulity and distrust that greet radical and far-reaching innovation. When the practicability of the steam railway had been demonstrated there was a railway-building mania. Pretty much everybody who had money or who could rake and scrape money together, and towns, cities, and States, put money into railway projects. There ensued an over-building which was a large factor in bringing about the panic of 1857. During the Civil War the usefulness of through routes, constituted of the connected lines of two or more railroads, became manifest. After the war there was a renewed stimulus to railway construction, especially in the Middle West. Men of rugged force utilized in building railroads the labor of thousands of those whom the disbanding of the armies had left without vocation, as Napoleon three generations before had utilized the waste labor of Europe in building the roads across the Alps. Men of grasp who perceived the country's future transformed short local railroads into through lines and coined their foresight into dollars. In many cases the means employed were subordinate to the end attained. There were vast opportunities not only for men of affairs properly so designated, but

also for the speculative promoter and the financial manipulator, and therefore this was the heyday of the railway buccaneer. Excessive construction and speculation again helped to bring about a panic, that of 1873. After it had run its course, railway-building again outstripped any immediate need.

As railways had been built in advance of traffic there arose an intense competition for business. This was the period when cut rates, rebates, and other stealthy devices spread like the weeds they were. There were discriminations that the railway managers believed to be just. The truth is that they arose in the main from that process of adjustment entailed by the extensions and ramifications of the channels of trade, an adjustment which is still in process. Not only did discriminations whether justifiable or not give rise to complaint, but there was discomfiture because of the loss of large amounts that had been invested in railroad construction, and there was bitterness of feeling, frequently well founded, against promoters, speculators, and manipulators. Wide-spread agitation led to the enactment of the Interstate Commerce Act in 1887, which has been followed by amendments giving the Interstate Commerce Commission greater authority, and by drastic legislation enacted by the separate States for the regulation of the railways.

During the past generation many a railway manager has said that there ought to be public discussion of railway problems by railway men that the people might understand the railway attitude, especially in situations giving rise to contention, and the reasons for that attitude. Virtually all railway managers agreed that this ought to be done, but they were absorbed in work that pressed for attention, immersed in immediate practical problems. Largely because of the lack of such discussion, misunderstanding succeeded misunderstanding. The people came to distrust the railways; the railways came to distrust the people.

The will of the people in this country is supreme, and however misguided they often have thought it, the railway managers have found that it has come in greater and greater degree to assert itself in railway affairs. Therefore, it was borne in upon the minds of railway presidents that instead of simply agreeing there ought to be discussion with the people, it was high time discussion began.

It took the enactment of the Mann-Elkins bill in 1910

to bring the railways to the consideration of a definite programme. A committee of six railway presidents was appointed, and this committee engaged in analysis and introspection. They quite understood that the railways were unpopular with very nearly the whole people. They reflected, however, that the whole people do not come directly into relation with the railways. Except in populous centers with suburban traffic, but a small fraction of the people take railway journeys with any frequency, and a still smaller fraction are immediate shippers or receivers of freight or have first-hand knowledge of freight rates.

They reflected that a man is judged in the community by the things which he does, that if he is gruff and ungracious in daily intercourse and is not a good neighbor he is apt to be disliked, no matter how essentially upright he may be. They reflected that so also it must be with a railway, and thereupon recommended that each railway be a good neighbor in every community along its lines, that planks in station platforms be nailed down securely, that approaches to freight stations be kept in good order, that details of service be kept as nearly as possible above reasonable criticism, that the local agent take an interest in the affairs of the town, that all employees be courteous in their intercourse with patrons. One of these railway presidents, when vice-president of a Western road, had assigned to an officer of intelligence and adequate authority the duty of going in person to any community where a complaint arose, of investigating, applying a remedy if there were a real grievance, or of explaining the reasons for the attitude of the railway when it did not think the situation ought to be changed. This procedure gave excellent results, and he has followed it with increasing success on the trunk-line of which he is now president. The committee recommended to all of their colleagues that they do likewise.

These six railway presidents reflected that in the absence of accurate information people are likely to believe that which is inaccurate if it is plausibly put before them; that the railways had permitted all sorts of accusations to be made against them in public speeches and in the public prints, usually without making an effort to reply, and that the cumulative effect of these accusations had been considerable. Therefore, they recommended that whenever an unjust accusation or unfounded reflection appeared in a



newspaper or emanated from a source of influence in any community along the lines of a railway, it spare neither time, trouble, nor expense in bringing the falsity of the accusation home to the source of utterance, to the end that a retraction be secured, or in any event a greater degree of care be exercised thereafter.

It was borne in upon these six railway presidents that the course of railway administration for many years had tended more and more to remove the managing officers from contact with the people; that the formation of the great companies with headquarters in large cities more or less remote from the regions traversed by their lines had centralized the management in the hands of executive officers; that although the most of these men are, and by the very nature of their duties must be, earnest, well disposed, upright, they are not infrequently regarded as ogres by the public at large. An editor of a newspaper in southern Michigan thirty years ago once said that when his town was a station on a local railway every editor along the line knew every officer of that railway; that even when there was not mutual agreement, there was the immediate discussion that brought out the respective viewpoints. When the local railway was absorbed by a larger company, and the administrative headquarters were removed to a great center, where the officers became more and more absorbed in their duties of direction and management, this personal contact waned and vanished. Then it came about that the only intercourse between the newspapers along the line and the railroad was between the local station agent and the local reporter. The local station agent, frequently without information and often forbidden to disclose what he possessed, became distrustful of the reporter. The reporter, bound to "get a story," published rumors and became distrustful of the station agent.

Therefore, it was recommended that officers of the railway companies from the president down mingle in public gatherings and accept invitations to make public addresses; that they take every opportunity when in the different communities served by their lines to become acquainted and have face-to-face discussion with the citizens; that they cultivate and have their local representatives cultivate such cordial intercourse with the newspaper editors and others as would lead to mutual discussion and mutual understanding of matters in interest.



It was hoped that action along the lines of the foregoing recommendations would tend to bring about a certain measure of neighborly good-will. But these six railway presidents were also obliged to reflect that because of the network of through routes and the relation of this ramifying network to the industry and commerce of the whole country, and because of a certain tendency of the regulating powers to regard the railways from the standpoint of their service to the public collectively rather than from that of their existence as separate corporate entities, it was necessary that the railways at all times be in possession of information in regard to the broader questions of common interest to them enabling intelligent discussion of the facts that would guide them in avoiding error. Recognizing that adequate analysis and elucidation of the various factors entering into the broader questions could best be accomplished through an instrumentality exclusively devoted to their study, this committee of railway presidents established the Bureau of Railway Economics and selected Washington as its headquarters because of the accessibility to the official reports and statistics of the Interstate Commerce Commission and of other departments and bureaus of the Federal Government. It was decreed that the work of the bureau be performed in the spirit of the economist, that its researches be impartial, its compilations strictly accurate, and all of its presentations without bias. Indeed, such stipulation was made by the officers of the bureau before accepting appointments to its staff.

Thus has been outlined the programme recommended by the committee to the railway presidents of the United States in July, 1910. There is now to be considered the extent to which that programme was adopted and carried out and what the results have been. It is not to be implied that all of these recommendations indicated a change in the policy that had been pursued by various railways and by some of them for many years. In fact, they were based in part on the success attained by them. It is beyond question, however, that these recommendations have stimulated the railways to cultivate in greater degree cordial relations with the patrons of their lines and with the public in general. Several of the companies, especially in the West, where the feeling against the railways had become embittered, inaugurated "getting acquainted" trains. The heads of

the various departments, starting from the headquarters offices of a railway, traversed the entire system, stopping at the principal stations. At each station the agent had been advised in advance to say that the officers would be glad to see as many of the citizens as might care to make their acquaintance and discuss matters of mutual interest. The results are reported to have far exceeded any expectations. At nearly every station representative citizens awaited the special train. Sometimes a meeting was held in the railway station, but frequently it was necessary to adjourn to a convenient hall. Everybody was introduced to everybody else, and the railway officers would ask for frank statements of any complaints that might be entertained against the company. Sometimes genuine grievances were disclosed. As the head of each department was present, there was not the reference from one officer to another that is so often the fate of written communication, but a remedy was applied at once by the head of the department having jurisdiction. Other complaints were threshed out on both sides, and after a statement of the situation from the railway's standpoint many a supposed grievance was found to the satisfaction of the gathering to be without foundation. These "getting acquainted" trains are now run once or twice a year by the railways which inaugurated them. It has happened that the better part of the able-bodied population of a town has met such a train at the station with a brass band. In other parts of the country railways have pursued the quieter but none the less effective procedure of having their officers make a practice of calling individually upon the representative citizens of the various communities for mutual and candid discussion.

The policy of refuting unjust accusations and proving the falsity of unfounded reflections has been pursued with like success. During the last two years few, if any, attacks upon the railways in general have appeared in magazines without the president or an officer of one or another railway requesting the editor to give like prominence to a refutation. Usually the editor has complied in the spirit of fairness, but not always. Men of public prominence who have attacked the railways have been met with rejoinder. When a newspaper has published an article unjustly prejudicial to a railway the editor has been called upon in person. Convincement that he has been in error not

infrequently leads to retraction; in other cases space has been given to a refutation over the name of a representative of the railway in interest. The traffic official of a Western railway to whom had been assigned the duty of thus replying to newspaper attacks upon his company said that at the beginning this work occupied the greater part of his time, but that in the course of a year it came to require very little, the newspaper editors in his district having attained a sense of responsibility in regard to what was said about the railways which they had never had before.

These recommendations of the committee of six railway presidents have been so carried out that the severe criticism of the railways in general that were rife but a few years ago have greatly diminished and now seldom emanate from responsible sources. Current criticism is, as a rule, at this time more concrete, directed particularly against specific practices. Such criticism pointing out directions of improvement ought always to be welcomed by the railways.

The stimulus toward the coming of the railways to a keener realization of their duties as public servants has been marked by the organization of "safety committees" to impress upon employees that feeling of personal responsibility which is the most effective safeguard against accidents; and of "efficiency committees" to scrutinize operation for the purpose of effecting economies. A crusade has been inaugurated against that trespassing upon railway right-of-way which is the cause of the greater number of the fatalities reported in the accident bulletins of the Interstate Commerce Commission. There has also been a renewed and extended effort toward bringing about a greater diversification of traffic through the extension of industrial agencies which call attention to available sites and business opportunities; and an increasing intensiveness of production has been furthered by the running of demonstration trains accompanied by lecturers, who explain to farmers the processes whereby greater economy and increasing efficiency can be attained in the production of crops. Many railway presidents and other officers have given personal time and effort toward furthering the improvement of the rural highways.

The Bureau of Railway Economics has found a steadily widening field of activity. For the information of its subscribers it has made or has under way analyses of such

propositions as the parcel post, physical valuation, and railway taxation. For use before the Board of Arbitration in the recent engineers' controversy it made exhaustive compilations showing the effect of various factors in wage increases and in traffic movement; and through first-hand investigation in various cities secured information as to the actual earnings in other vocations of employees whose skill and responsibility are comparable with that of the engineers.

This bureau is continuously engaged in a line of studies designed to develop information as to the broader economic relations of the railways. Its recent bulletin, entitled "Comparison of Capital Values—Agriculture, Manufactures, and the Railways," makes clear from published statistics of the United States Government that the capital value of railway property in the United States is increasing less than half as fast as the capital values of either the agricultural or manufacturing industries and that the percentage of net return on capital in manufactures is over twice as high as on that of the railways.

This bureau is making a comparison of the railway status in the United States with that in the principal countries of Europe, and of this two sections have been published. The first brings out that in proportion to population the United States has from four to five times as many miles of line as either England, France, or Germany; that the ton miles per inhabitant are seven times those of France, while the freight revenues per mile of line are virtually the same; and four times those of Germany, while the freight revenues per mile of line are only a fraction over half as great. The capitalization per mile of line of the railways of the United States is less than one-fifth that of the railways of England and Wales, less than half that of the railways of France, and but little more than half that of the railways of Prussia-Hesse, which are the more important of Germany.

To a comparative study of railway wages and the cost of living the bureau gave extended study and laborious compilation which resulted in its being able to announce, on the basis of official statistics, that "it is well within the truth to estimate in a broad and general way that while the cost of living of a railway employee in the United States is less than fifty per cent. higher than that of a corresponding employee in the United Kingdom or on the Continent, his compensation averages over twice as great."

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Among other studies is one demonstrating that the capitalization per mile of the railways of Texas is less than half of the average for the whole United States; that while in 1909 the average dividend rate on the total railway stock of the United States was but 4.2 per cent., this was more than seventeen times as great as the average dividend on the stock of the Texas railways.

Another study discloses that if account be taken of the capital expenditures on the Erie Canal, of interest charges, extraordinary repairs, and depreciation, in addition to the charges of the boatmen for hauling traffic, the total cost of transportation of a ton of freight on the Erie Canal is at a higher rate per mile than the average rate per ton mile received by any of the railways parallel to it; and these railways, of course, are obliged to meet their capital charges, repairs, and depreciation, as well as the immediate cost of hauling out of their revenue from transportation.

A service performed by this bureau is the publication of a monthly summary of revenues and expenses of the steam railways. This is compiled and computed from the reports made by the railways to the Interstate Commerce Commission for each month. These returns are not presented by individual roads as in financial reports designed mainly for the information of the investor, but by geographical groups in each of which there is an approximate similarity in traffic conditions. Thus the ebb and flow of receipts and of expenses is indicated for the railways of the East, for the railways of the South, and for the railways of the West. The returns are given not only in aggregates for the month, but also per mile of line—the proper unit of measurement and comparison. When it is understood, for example, that during the record-breaking month of August the net operating revenue of the railways as a whole, which is that proportion of their receipts available for taxes, rentals, interest on bonds, appropriations for betterments, and dividends, averaged only \$14.11 per day, which is but \$1.41 greater for each mile of line for each day than during August, 1911, it is easily comprehended that the railways as a whole have no more than a narrow margin of profit. When it is remembered that throughout 1911 railway managers were bitterly complaining that their expenditures did not leave sufficient margin with which to make needed betterments and attract the capital necessary for the extensions and additions

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requisite to handle the growing traffic of the country, verisimilitude is given to their claim that even the increased traffic of this year does not solve their pressing problems.

These are but a few examples of the manner in which the Bureau of Railway Economics is quietly and unobtrusively rendering a service not only to the railways but to the public. As originally planned, the results of its studies were to be communicated to its subscribers for such use as they might choose to make of them. As the work developed it was urged by many newspaper men that as these studies are of public interest they ought to be made available to the newspaper press. After repeated urging, the bureau entered upon the practice of sending its more important bulletins and brief summaries thereof to editors throughout the United States "for their information, their reference, and their publication if they so desire." The first and foremost aim of the bureau is to be a source of accurate and authentic information; and it is obtaining recognition as such from railway commissioners, from educational institutions, and from the general press.

Not the least important service rendered by the bureau is that of its library. Its librarian has in preparation a complete bibliography, and a volume entitled *Railway Economics: A Collective Catalogue of Books in Fourteen American Libraries* has already been published.

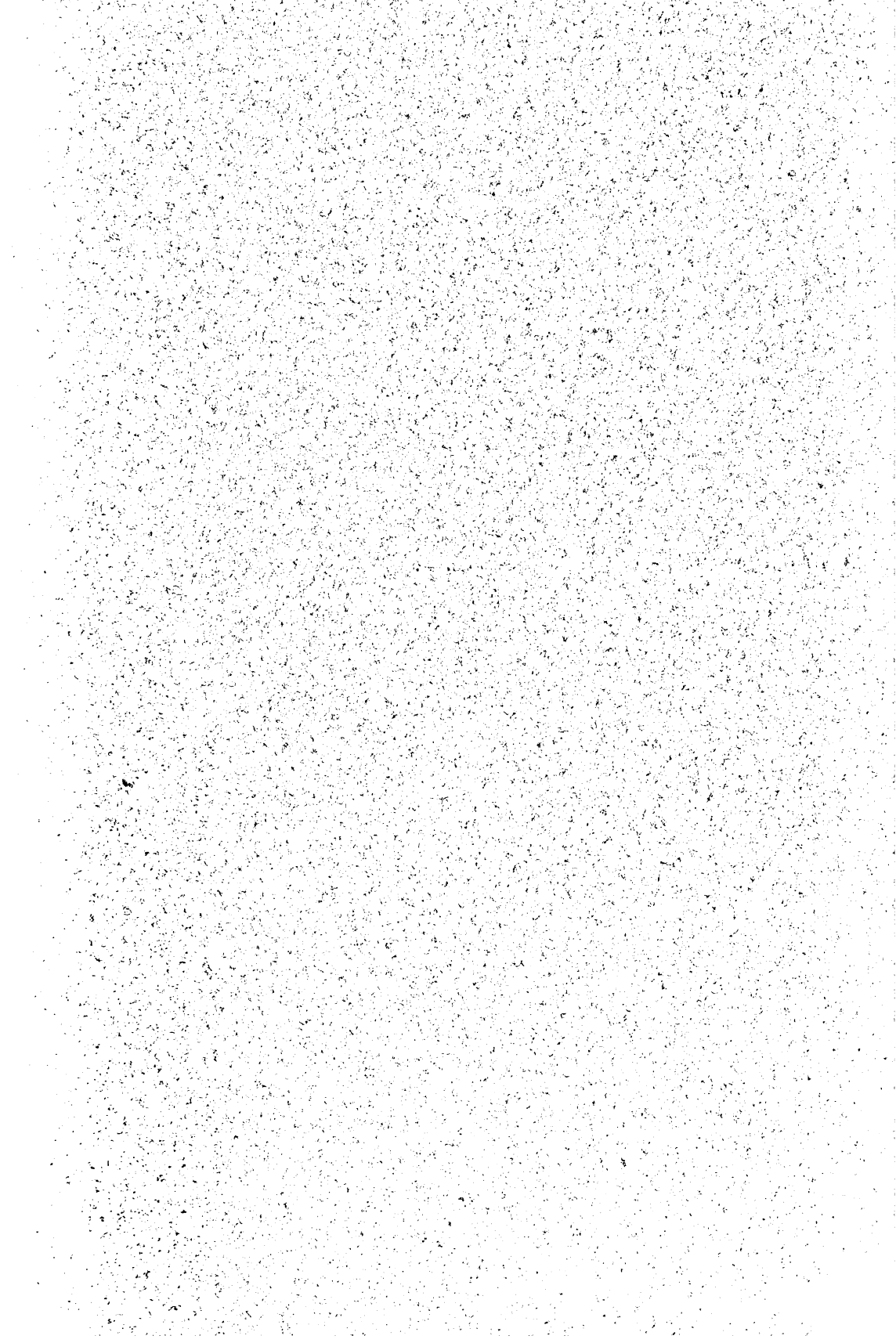
It remains to be said that the programme recommended by the committee of six railway presidents has not been carried out with equal vigor by all of the railways. Those who have been earnest and continuous in the procedure report that there is evidence of a growing mutual good-will between their officers and the people of the communities served by their lines, of an atmosphere in which points of difference can be discussed and, it is to be hoped, adjusted without the acrimony of the past.

The necessity on the part of many railways to observe the most rigid economy stands in the way of their incurring even the additional expense necessary to carry out such a programme. The inertia that tends to pervade large organizations has militated against energetic action on the part of other railways, and it must be admitted that there are still a few railway presidents of the old school who will have nothing to do with such innovation.









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